



June 24, 2026

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**Notice of the Action to Implement Management
that is Conscious of Cost of Capital and Stock Price (Update)**

RHYTHM CO., LTD. (the “Company”) hereby announces that, at the Board of Directors meeting held today, it has updated its policies and initiatives for improvement based on an analysis and assessment of the current situation regarding the "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" announced on March 4, 2024 and updated on March 24, 2025.

Since the fiscal year ended March 31, 2026, the Company has been implementing initiatives based on “Medium-Term Management Plan 2027”, announced on March 24, 2025 (revised on June 23, 2025). As a result, performance for the fiscal year increased in both sales and profit from the previous fiscal year, and ROE reached 7.1%. It also enhanced shareholder returns.

As a result of these measures, PBR remained at around 1.0x until early March 2026, but at present it has fallen below 1.0x. The Company will continue to give top priority to enhancing corporate value through business expansion based on Medium-term Management Plan 2027, including actively promoting business investments backed by expanded investment capacity resulting from improved performance, while striving to realize management that is conscious of the cost of capital and stock price and to further improve PBR.



**Action to Implement Management that is Conscious of
Capital Cost and Stock Price
(Update)**

June 24, 2026
RHYTHM CO., LTD
(TSE Prime 7769)

I Overview and Policy

II Current Status Analysis of Capital Cost and Capital Profitability

III Major Initiatives

Notes

- Unless otherwise noted in this document, amounts are rounded down, and years represent the fiscal year (April to March).
- The mid-term plan figures for FY 2025-2027 are from the "Medium-Term Management Plan 2027 (Revised)" announced on June 23, 2025.
- FY 2026 forecast is based on the figures from the "Financial Results for the Fiscal Year Ended March 2026" announced on May 14, 2026.

I Overview and Policy

Action to implement management that is conscious of capital cost and stock price

	End of March 2026	[Issues]
Stock price	¥3,500	✓ Further earnings growth based on the Medium-Term Management Plan 2027
PBR	0.82 times	✓ Ensuring capital profitability that exceeds the cost of capital
ROE	7.1%	✓ Appropriate market assessment of growth potential (Maintaining appropriate stock price levels)

Analysis of Current Status

- **For the fiscal year ended March 2026, sales and profit levels exceeded the Medium-Term Management Plan 2027.**
- **ROE improved significantly to 7.1% (2.4% in the previous fiscal year).** At the same level as the Company's estimated WACC (about 6%) and cost of shareholders' equity (about 7%).
- **PBR had been around 1.0x but fell below 1.0x at the end of the fiscal year.** Further improvement is required.
- PER decreased from 42x in the previous fiscal year to 14x.
- The continued listing criteria for the Prime Market have been met.

Policy

- Expansion of business performance under the Medium-Term Management Plan 2027
- Appropriate allocation of management resources to achieve sustainable growth

Details of Initiatives for Improvement

- **Implementation of various measures based on the Medium-Term Management Plan 2027**
 - Aim to achieve growth strategy, sustainable growth, and corporate value improvement by expanding business performance under the Medium-Term Management Plan 2027
- **Implemented management that is conscious of cost of capital**
 - Business portfolio and KPI evaluation with consideration of WACC and ROIC
 - Monitoring of ROIC tree by business segments
 - Individual investment decision based on investment criteria
- **Active investment in growth areas**
 - Capital investment, R&D investment, human capital investment, M&A
- **Improvement of shareholder returns and execution of capital policies**
 - Enhancement of shareholder returns through changes to dividend policy (June 2025)
 - FY 2025 dividend increase (¥167.60 per share)
- **Strengthening IR activities**
 - Disclosure in English, IR event for individual investor, 1on1 meeting with institutional investor
- **Improvement of Corporate Governance**
 - Appropriate risk hedging and bold risk taking
 - Re-examination of governance structure based on the revised Corporate Governance Code. Further enhance effectiveness.

II Current Status Analysis of Capital Cost and Capital Profitability

Sales and Profit					
(Millions of yen)	FY 2024	Medium-term Plan	FY 2025		Compared to Plan
	Result		Result	YoY change	
Net sales	32,666	33,500	34,755	2,088	1,255
Precision parts business	24,813	24,700	26,679	1,865	1,979
Livingware business	7,447	8,300	7,581	134	(718)
Other businesses	405	500	494	88	(5)
Operating profit	817	1,400	1,586	768	186
Precision parts business	2,071	2,150	2,536	464	386
Livingware business	(764)	(250)	(78)	685	172
Other businesses	60	90	79	19	(10)
Adjustments	(550)	(590)	(951)	(400)	(361)
Ordinary profit	1,160	1,700	1,979	818	279
Profit attributable to owners of parent	758	1,200	2,311	1,552	1,111
ROE	2.4	4.0	7.1	4.7pt	3.1pt
Average exchange rate during the period	152.59	140.00	149.98	(2.61)	9.98

Status of PBR

	Stock price	PBR	ROE
End of FY 2025	¥3,500	0.82 times	7.1%

* Closing price as of the end of March 2026

	Tradable Share Market Capitalization (billions of yen)	Net income (millions of yen)	Stock price (yen)	EPS (yen)	PER (times)	Tradable Shares Ratio	BPS (yen)
FY 2024 Result	9.2	758	3,864	91.93	42.0	28.4%	3,793
FY 2025 Result	21.0	2,311	4,020	287.91	14.0	62.6%	4,263

* Tradable share market capitalization and net income are rounded down, and other amounts are rounded.

* Stock price is the average closing price from January to March of the relevant year.

- For the fiscal year ended March 2026, sales and profit levels exceeded the Medium-Term Management Plan 2027.
- ROE improved significantly to 7.1% (2.4% in the previous fiscal year). At the same level as the Company's estimated WACC (approximately 6%) and cost of shareholders' equity (about 7%).
- PBR had been around 1.0x but fell below 1.0x at the end of the fiscal year. Further improvement is required.
- PER decreased from 42x in the previous fiscal year to 14x.
- The continued listing criteria for the Prime Market have been met.

III Major Initiatives

Targets					
(Millions of yen)	FY2025 Result	FY 2026 Plan	FY 2026 Forecasts	YoY change	Compared to Plan
Net sales	34,755	37,000	37,000	2,244	0
Precision parts business	26,679	27,500	27,750	1,070	250
Livingware business	7,581	9,000	8,750	1,168	(250)
Other businesses	494	500	500	5	0
Operating profit	1,586	2,000	2,000	413	0
Precision parts business	2,536	2,450	2,750	213	300
Livingware business	(78)	50	0	78	(50)
Other businesses	79	100	100	20	0
Adjustments	(951)	(600)	(850)	101	(250)
Ordinary profit	1,979	2,300	2,300	320	0
Profit attributable to owners of parent	2,311	1,700	1,700	(611)	0
ROE	7.1	5.0	5.0	(2.1)	0
Average exchange rate during the period	149.98	140.00	145.00	(4.98)	5.00

Continue to promote management that is conscious of cost of capital based on ROIC management framework.

Structure

Board of Directors,
Management Committee

Business portfolio report (twice a year)

- Discussion on basic policies
- Business portfolio evaluation
- Discussion on M&A, etc.
*M&A is reported separately on a regular basis

Business Portfolio Practitioners' Council

By responsible officers and working-level leaders in charge:

- Establishment of Key Improvement Indicators
- Confirmation of progress and effects of specific measures

ROIC Management Framework

Business portfolio evaluation

Investment decisions based on capital cost

(Company estimation)
-WACC: about 6%
-Cost of Equity: about 7%

Asset optimization

-Sale of real estate
-Sale of strategic investment stocks
-Efforts to optimize inventories

Roadmap for ROE Improvement

FY 2024
2.4%

FY 2027
6.0%

Long-term Vision
Over 8%

Active investment to maximize profits

Management of shareholder equity and realization of optimal capital structure

Medium-Term Management Plan 2027
Cash Allocation

15 to 16 billion yen

Cash In	Cash Out
Cash flows from Operating activities 7 to 8 billion yen	Business investment 5 to 6 billion yen
	M&A 5 billion yen
Cash on hand Asset sales Borrowings 8 billion yen	Shareholder returns 5 billion yen

Basic Views

- ✓ Active investment for sustainable growth
- ✓ Enhancement of shareholder returns

FY 2025 Results

【Cash In】

- Operating cash inflow: 3.3 billion yen
- Sale of fixed assets: 0.5 billion yen

【Cash Out】

- Capital investment: 1.4 billion yen
- Total dividends (FY2025): 1.3 billion yen
- Acquisition of treasury stock: 1 billion yen

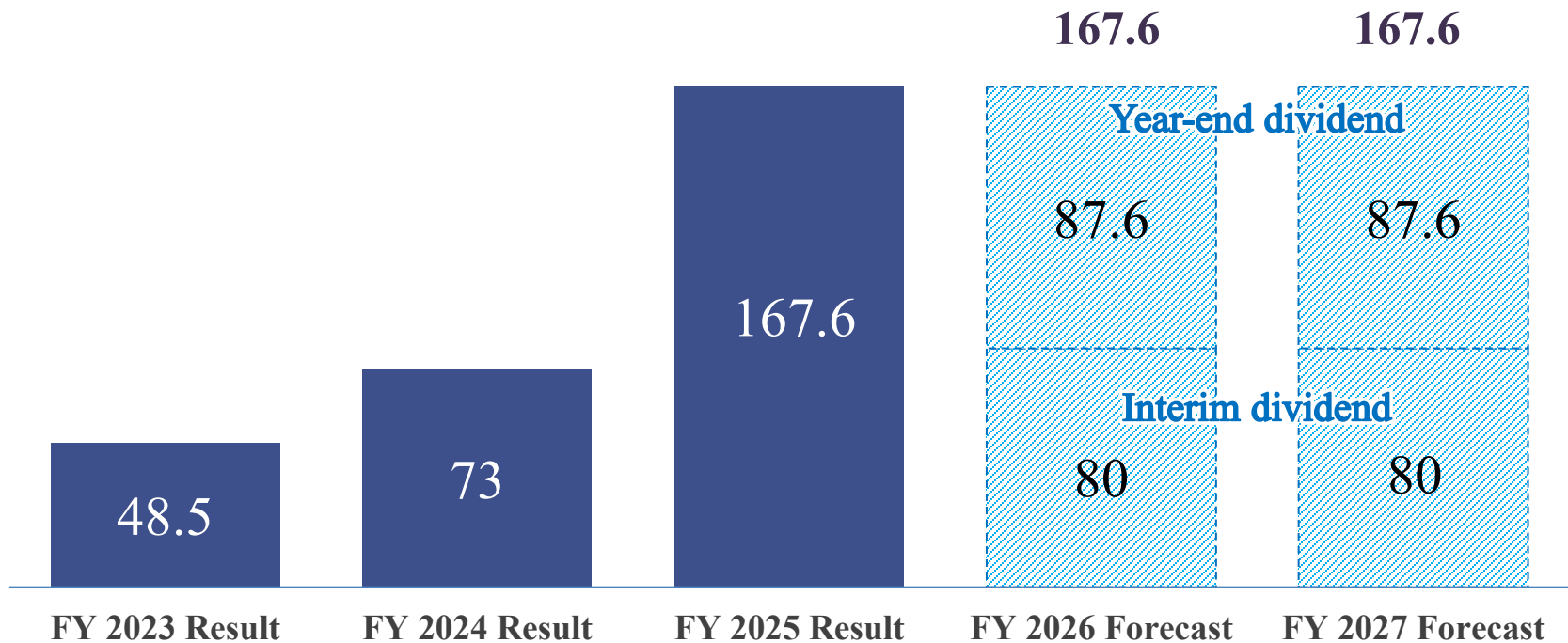
*Excerpt from the Financial Results Briefing materials of Fiscal year ended March 2026, dated May 27, 2026

Improvement of shareholder returns

[Basic Dividend Policy]

- Consolidated payout ratio of 35% or more, DOE (dividend ratio on consolidated net assets) of 4% or more
- Continual stable dividends
- Interim dividends to be implemented from the fiscal year ending March 2027

Dividend per share



*Excerpt from the Financial Results Briefing materials of Fiscal year ended March 2026, dated May 27, 2026

[Disclaimer]

This document has been prepared to provide an understanding of the company.

Forecasts, plans, and other forward-looking statements in this document are based on information available at the time and do not constitute guarantees. Please note that this document may differ from the company's future results.

The contents of this document are provided on the premise that any use by investors for any purpose is at their own discretion and responsibility, and the company assumes no responsibility for such use.

[Contact for Public Relations and Investor Relations]

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